

Internal Revenue Service
Regional Commissioner

Department of the Treasury

Date: MAR 29 1991

Key District:

Year(s):

and Subsequent

Person to Contact:

Contact Telephone Number:

Dear Mr. Hanks:

We considered your appeal of the adverse action proposed by your key District Director. The paragraph(s) checked below indicate(s) our decision.

☒ Your exemption from Federal income tax under Section 501(c)(7) of the Internal Revenue Code is:

☐ confirmed.

☐ modified. A new determination letter is enclosed.

☒ denied or ☐ revoked. You are required to file Federal income tax returns on Form 1120 for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for extension of time is granted.

☐ You are not a private foundation because you are described in Code Section(s) _____.

☐ You are an operating foundation as described in Code Section 4942(j)(3).

☐ You have no liability for excise taxes under IRC _____ for the above years.

☐ Your liability for excise taxes under IRC _____ for the above year(s) was properly reported on your return(s).

☐ There is no charge to your unrelated business income tax liability as reported for the above years.

☐ Your Form(s) 990-T for the above years are accepted as filed.

☐

You may direct questions about the decision to the appeals officer whose name and telephone number are shown above.

Sincerely yours,

Associate Chief

SUPPORTING STATEMENT

Taxpayer: [REDACTED]
Tax Year: [REDACTED]

I. & II. ISSUE AND PROPOSAL FOR SETTLEMENT:

1. Whether the taxpayer is a qualified organization under Section 501(c)(7) of the Internal Revenue Code.

1(a). That the Government concede.

The taxpayer's proposal is unacceptable for the reasons hereinafter stated.

III. & IV. FINDING OF FACT AND LAW AND ARGUMENT:

Finding of Fact

The taxpayer was organized and incorporated under the General Not-For-Profit Corporation Act of [REDACTED] on [REDACTED]. On [REDACTED], the taxpayer filed Form 1024 requesting exemption under IRC Section 501(c)(7) as a social club.

Your articles of incorporation state your purposes are as follows:

To promote, encourage, or foster any educational, civic, benevolent, social, and athletic activity or purposes including, for such purposes the promotion of motorcycle use, acceptance, safety, and enjoyment. Said purposes include promoting the motorcycling interests of the corporation's members and affiliates.

To be a member of this organization, you must be a member in good standing of the [REDACTED]. If one's membership in the [REDACTED] expires, your membership in the [REDACTED] automatically expires since the taxpayer is considered a local chapter.

[REDACTED] is a division of [REDACTED]. In order to become a chapter of [REDACTED], a local [REDACTED] dealer must sponsor you.

The taxpayer is sponsored by a local [REDACTED] dealer. Chapter logos and names shall be approved by the [REDACTED].

The taxpayer meets monthly and holds social events throughout the year.

Law and Argument

IRC Section 501(c)(7) provides for the exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

The denial letter cited Revenue Rulings 66-225, 1966-2 C.B. 227 and 66-360, 1966-2 C.B. 228, where exemption was denied to two social clubs who were controlled by a for-profit entity.

It concluded that the taxpayer was not exempt since it was affiliated with [REDACTED] and a [REDACTED] dealer must approve its chapter qualifications. That the taxpayer is also under the control and management of a corporation operated for profit, and is operated at least in part for its benefit.

The protest states that no revenues of the club are paid to [REDACTED] or to their local sponsoring dealer.

At the Appeals conference, the above was discussed and the taxpayer agreed that it did not qualify for exemption under IRC Section 501(c)(7).

V. CONCLUSION:

The taxpayer's proposal for settlement was unacceptable for the aforementioned reasons. The taxpayer will be issued an unfavorable ruling. The taxpayer indicated that he would be filing Form(s) 1120 in the immediate future.

CERTIFIED

Person to Contact: [REDACTED]
Telephone Number: [REDACTED]
Refer Reply to: [REDACTED]

Date: MAY 21 1990

Dear Applicant,

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

According to your Articles of Incorporation, your organization's purpose is to promote, encourage, or foster any educational, civic, benevolent, social, and athletic activity or purposes including, for such purposes, the promotion of motorcycle use, acceptance, safety, and enjoyment. Said purposes include promoting the motorcycling interests of the corporation's members and affiliates.

According to your application Form 1024, your organization is a local chapter of a national organization entitled [REDACTED] which is a division of [REDACTED]. Your club was instituted to offer motorcycling benefits and services to [REDACTED] enthusiasts and to develop a close relationship between the [REDACTED] rider, the [REDACTED] dealer and [REDACTED].

Your primary activity is to promote local motorcycling events, increased levels of enthusiasm for riding and the advancement and improvement of the [REDACTED].

Your chapter is sponsored by a [REDACTED] dealer and is subject to all dealer's rules. Chapter logos and names shall be approved by the [REDACTED] dealer. All supplies and apparel must be purchased from vendors who are licensed by [REDACTED]. Membership dues for the local chapter are \$[REDACTED] per year. All [REDACTED] members in good standing are eligible for membership in your chapter.

Section 501(c)(7) of the Code provides for exemption from Federal Income Tax of clubs organized and operated exclusively for pleasure, recreation, and other nonproftable purposes, no part of the net earnings of which inures to the benefit of any private shareholder.

Reviewer

Reviewer

Reviewer

Reviewer

Revenue Ruling 66-225, 1966-2 C.B. 227 states that a nonprofit organization which provides entertainment for its members does not qualify for exemption under Section 501(c)(7) of the Internal Revenue Code where it is controlled by a taxable corporation and operated as an integral part of such corporation's business.

Revenue Ruling 66-360, 1966-2 C.B. 228 states, when a national sorority is created and controlled by a business corporation engaged in furnishing services and supplies to the sorority and its member chapters, neither the sorority nor its chapters can qualify for exemption from Federal income tax under Section 501(c)(7) or Section 501(c)(4) of the Internal Revenue Code.

Since your organization is affiliated with [REDACTED] and your chapter qualification is subject to approval by [REDACTED] dealer, you are not organized exclusively for pleasure, recreation, and other nonprofitable purposes, but are under the control and management of a corporation organized for profit, and are operated at least in part for its benefit.

Accordingly, we hold that you are not entitled to exemption from Federal Income Tax as an organization described in Section 501(c)(7) of the Code. Accordingly, you are required to file Federal income tax returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter this determination will become final.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Very truly yours,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018